

PERAC AUDIT REPORT



Weymouth Contributory Retirement System

JAN. 1, 1998 - DEC. 31, 2002 / PERAC 02:08-096-29



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOSEPH E. CONNARTON, *Executive Director*


November 1, 2004

The Public Employee Retirement Administration Commission has completed an examination of the **Weymouth** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **1998** to December 31, 2002. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in Note 3 of this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Mary Dundas and Patrick LePage who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



Weymouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

Trial Balance:

The Board did not maintain complete general ledgers for the years 1998-2001. Our analysis for these years was performed using assumed entries, since the actual entries could not be located. It appears that adequate records were retained for 2002.

Recommendation: The System must maintain pre- and post-closing trial balances, a detailed general ledger, and a record of all journal entries for each year. Journal entries must be kept for a proper audit trail that can trace general ledger entries back to a source document with accompanying explanations.

Board Response:

The current staff noted deficiencies in record-keeping in years prior to 2002 and they have since been addressed.

Affidavits:

Retiree affidavits for 1998 and 1999 were destroyed prior to the start of this audit. A listing of members who filed late responses, or who failed to respond to the Board's annual mailing, was not preserved prior to 2002.

Recommendation: The Director should institute clearly defined procedures for the handling of affidavits. The Board should review its record retention policy to ensure that all personnel are familiar and comply with the retention schedule promulgated by the Secretary of State. Affidavits must be audited for authenticity, and a record of tardy respondents maintained for future review.

Board Response:

The staff follows the regulations provided by the Secretary of State as they pertain to record retention in the Retirement Office. Commencing with affidavits for Calendar [year] 2002, the deficiencies noted by the auditors have been addressed.

Current Retirees:

A bonus referred to as "salary augmentation" is paid to certain employees in lieu of unused sick time, as provided for in contracts beginning 7/1/99. The police department requires that employees who receive this pay retire within three years of the effective date of the contract, thus making this pay a retirement incentive. Employees who did not retire within the allotted time did not reimburse the Town as mandated in that contract. This pay was included in their subsequent retirement calculations.

The fire department's contract states that employees with at least twenty years of service may participate for a limited period of time (three years). The contract further stipulates that, after the first year of the contract, the number of new participants is limited to seven. New participants must apply for this benefit and are accepted based on their seniority.

Weymouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

Our sampling of members who retired between 2000 and 2002 found a lack of birth certificates on file for option C beneficiaries. Option C retirement calculations are based in part on the birth dates of the beneficiaries.

Recommendation: The Board must review those members of the police and fire departments whose salaries have been augmented in the aforementioned manner. This pay does not qualify as regular compensation under G.L. c. 32, § 1 and 840 CMR 15.03(2)(d) and/or (f). As an unqualified pay type, retirement deductions should not be withheld. Neither should this pay be included in retirement calculations. Members must be refunded their contributions based on this pay retroactive to 7/1/99. Retirees who have had this pay included in their pension calculations must have those calculations adjusted by the amount of salary augmentation received since 7/1/99.

Birth certificates must be on file for retirees and their beneficiaries. Ages must be confirmed before pensions are awarded.

Board Response:

“Salary Augmentation”: The Weymouth Retirement Board and its counsel met with the Town’s labor counsel, the Fire Department union attorney, and representatives of the three unions impacted by this finding on March 30, 2004.

The contractual agreements for Firefighters, Ranking Police Officers and Patrolmen’s bargaining units are now being negotiated, as they expire on June 30, 2004. Union representatives and the Town’s Labor Counsel asked the Retirement Board to allow a reasonable time period to work with PERAC and those whom they represent to modify the language regarding “salary augmentation” to bring it into compliance, going forward, with existing regulations. The Board voted to table any potential corrective action for current contributions or for retirement allowances previously granted that include payments of “salary augmentation” monies until it has an opportunity to hear from the unions involved. There will be further review and discussion by the Board and interaction with PERAC on this complex issue.

Files: Staff members began the process of reviewing each and every member and retiree file in early 2003. Missing documents such as birth certificates, forms DD214, and improperly completed and un-witnessed beneficiary forms are noted and the member/retiree contacted by letter and asked to provide the necessary information.

Expenses:

Some disbursements recorded as administrative expenses should have been expensed as consulting services. This was true for fees paid to such vendors as TACS, Stone Consulting, and PriceWaterhouseCoopers. Other misclassifications involved office equipment, furniture, and improvements distributed as administrative expenses instead of furniture and equipment.

Weymouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

Some travel vouchers were not supported by detailed receipts. Details for charges such as hotel rooms and meals are necessary to verify dates and validity of the expenses.

Recommendation: The Director should regularly review general ledger entries to ensure proper classification of expenses.

Travel vouchers must contain detailed receipts, so that charges can be validated. PERAC approved the Board's travel regulations on 10/24/02.

Board Response:

Commencing in 2002, expenses were properly classified, travel vouchers contained as much detail as is available.

We are unaware of any account designated "consulting services". The "Consultant Fees" account has typically been utilized to reflect cost of consulting fees resulting from investments, and will reflect payments to the Board's investment consultant going forward. Payments to Stone Consulting were for actuarial services, and we maintain are correctly charged to Administrative Expenses. Payments to TACs Inc. were for software and hardware maintenance, appropriately classified under "Administrative Expenses" up until 2003 when a new PERAC account was added for Service Contracts.

Minutes:

The Board does not maintain records of its executive sessions. There were several errors in page numbering of the records of open sessions. We found instances of duplicate, missing, and handwritten page numbers, with some numbers used out of sequence. Pages have not been permanently affixed in the minutes since 1992.

One Board member averaged a 67% attendance rate during the 5 ½-year period reviewed. In addition, he regularly signed the minutes of meetings that he did not attend.

Expense budgets were approved without detail. On one occasion, the budget was approved without recording the dollar amount approved for expenditure. Previously, discussions relating to large expenditures and attendance at conferences were not recorded.

Recommendation: The Board is required to record the minutes of executive sessions in accordance with 840 CMR 6.12(2), 10.12(3)(e), 25.31(2), and G.L. c. 32, § 20(5). The Board must maintain the minutes of all meetings in a manner that ensures their completeness and creates a permanent record as a faithful representation of the proceedings and actions of the Board.

Attendance at Board meetings is an obligation that must be fulfilled by all Board members. Members must certify only the records of meetings at which they were present. Since the Town has granted Board members an annual stipend for service, the Board may want to consider adopting

Weymouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

a supplemental regulation making payment of the stipend subject to reasonable attendance at Board meetings.

We recommend that detailed budgets be approved by the Board and inserted in or attached to the minutes.

Board Response:

Minutes from June 1992 through December 1997 were bound by Acme Bookbinding at a cost of \$215.00, and returned to the Weymouth Retirement Office on August 13, 2003. January 1998 through June 2002 were not returned to staff until the exit interview with the auditors, and thus were not included in the binding order. Additional minutes will be bound when there is a sufficient group to make the project cost effective.

The Board members each received a copy of the Open Meeting Law guidelines on August 26, 2003. Great care will be taken to properly record the minutes of future Executive Sessions.

PERAC must be aware of our objection that the issue of attendance of a specific Board member was not brought out prior to the exit interview with the auditor. This is an unfair and unnecessary statement, and did not permit the Board member to directly address the auditors' concerns about his attendance during the five and one-half year audit period. Not that it is of any concern to the audit staff, but as further explanation, the appointee's family, who resided out of state, had a number of illnesses requiring the presence of family members. The appointee's mother was diagnosed with cancer and died soon after. The appointee was immobilized with a back injury for several months. The Weymouth Retirement Board was aware of the family illness and sympathized completely with the difficulties that were being experienced. Throughout the entire time frame, the appointee was in constant contact with the Board and Staff via telephone and mail, and was up to date on all matters concerning the Retirement System.

Commencing with the Supplemental Budget for Calendar [year] 2002, and with the Calendar [year] 2003 budget, expense budgets are developed, presented, and monitored with a great depth of detail.

The Board is asked to vote approval of attendance at each and every conference, workshop, or meeting outside the physical office space. The Board is also asked to vote approval of closing the office and assuming associated costs when necessary. The staff prepares a written report on each conference attended. There is complete compliance with the Travel Regulations approved by PERAC.

Contracts:

There was no evidence that the Board sought bids when moving its offices. The Board rented space in a building newly leased by the Town, apparently without considering alternative locations.

Weymouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

Recommendation: As fiduciaries, Board members are charged with “defraying reasonable expenses of administering the system”, as stated in 840 CMR 1.01(1). It would be prudent to perform some level of cost comparisons when committing retirement funds.

Board Response:

The Weymouth Retirement System had its office in the Weymouth Town Hall at 75 Middle Street until May of 1999. At that time, the Retirement System, along with other town departments, was notified that they must vacated the premises. The Town of Weymouth sought properties to rent for Town Offices in accordance with the Uniform Procurement Act, and executed a three year lease with the owner of 807 Broad Street. The Town offered the Retirement Board a portion of the space, provided that they would share the monthly expenses with the Town of Weymouth Veterans Services Department. The Board members certainly “defray(ed) reasonable expenses of administering the system” by committing to the \$775 per month rent for 1600 square feet of space in addition to half of the cost of utilities. The Board has formed a “Real Estate Sub-Committee” and has been seeking alternatives for office space.

Cash Reconciliation:

The Retirement Board's checking account has been reconciled, but there is no actual list of outstanding checks to support the amount used in the reconciliation process. Also, the amounts stated as outstanding for the periods ended 12/31/02 and 4/30/03 do not correspond to reports provided by the bank.

Recommendation: It is imperative that an actual list of outstanding checks be properly identified. This list should include: check number, amount, date issued, and payee. Any check with an issue date older than six months should be researched so that the check can be voided and reissued, if necessary. The Board should also contact the bank to rectify any difference between its reported outstanding checks and those determined by the Board.

Board Response:

Staff has already developed an accurate list of outstanding checks. The System is in balance with the Town of Weymouth Treasurer and with the outstanding checks reported by the bank.

Annuity Reserve Fund Interest:

The 2002 Annuity Reserve Fund interest calculation was overstated by \$16,001.02.

Recommendation: An adjusting entry is needed to correct the 1/1/03 beginning balance by the amount of excess interest recorded to the Annuity Reserve Fund (debit Annuity Reserve Fund \$16,001.02 and credit Pension Reserve Fund \$16,001.02).

Weymouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

The beginning balance for the Annuity Reserve Fund at 1/1/03 should be \$11,224,240.62. The Director should ensure that this amount is used as the beginning balance when calculating the current year's (2003's) Annuity Reserve Fund interest. A review of the accounting system's closing procedures before posting to the general ledger would likely prevent future errors.

Board Response:

Auditors brought the need for a journal entry for the Annuity Reserve Fund Interest to the staff's attention in May. The entry was immediately made. This is no longer an issue.

Refunds:

Numerous folders for member refunds did not have final annuity savings cards on file or applications for withdrawal from the System. However, the applications for withdrawal were on file with the expense invoices that are approved monthly.

On one refund application, the member and employer both indicated that service was terminated, but no interest was refunded to the member.

Also noted were several refunds where information provided by the employee conflicted with that of the employer regarding resignation versus termination. It is important to obtain written documentation to retain on file to support the proper payment of refunds in accordance with G.L. c. 32, § 11.

The Retirement Board should ensure that departments acknowledge whether a member resigned voluntarily or was terminated involuntarily. If the new forms used by the Board, Notification of Separation from Service, are properly completed and returned to the Board for members who have permanently separated from service, this should not be an issue in the future.

Recommendation: A final and complete annuity savings card, and a copy of the application for withdrawal of funds should be retained in each inactive member's file.

Due to the varying requirements that determine how much interest is paid to a member, it is important to have the supporting documentation to justify the interest paid to a member. Board staff should review all refund applications for completeness and ensure that documentation is obtained when information provided by the member and employer conflicts.

Transfers:

One member's funds were transferred to the State Retirement Board while they maintained active membership with the Town of Weymouth as a member of the Board of Health.

About half of the transfers sampled did not have final annuity savings cards on file.

Weymouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

Recommendation: Prior to transferring a member's funds to another system, the Board should verify that the Town or one of its units no longer employs the member. The status of dual members needs to be monitored with the other system to ensure that 2% deductions are properly paid as they relate to the \$30,000 salary cap.

A final and complete annuity savings card should be retained in the transferred member's file.

Board Response (Refunds and Transfers):

Detailed documentation on each refund, transfer, and separation from service have been kept in each member's file since at least July 2002. In late 2002, the staff developed a more detailed form for Notification of Separation from Service which is in use by each department. Each file that was questioned by the auditor has been examined and resolved.

Membership:

The Board has allowed several members to buy back time when they were laid off from their positions in public safety. However, the information on file with PERAC indicates that the Weymouth Retirement Board has never elected the local option to allow creditable service during layoff of police and fire personnel.

Two members were overcharged for buybacks of time that crossed over 1/1/75, the date when membership contributions increased from 5% to 7%. These members' buyback deductions were based on an incorrect contribution rate for the entire period.

In addition to these buyback calculations, several members who were allowed to buy back time prior to 1/1/75 had their contributions rates reduced to 5%. Some years later these members were notified that these reductions were erroneous and they must begin contributing at the higher rate. It appears that members were increased to the higher rate, but many owed a significant amount for the period when they were contributing at the lower rate. It is unclear from the information on file whether all of these members paid back the funds that were due the System.

Several members owe the System funds due to a payroll error in which no deductions were withheld on education incentive pay. This affected numerous members. The Board has been vigilant in notifying members of the error and requesting repayment through a lump sum or payroll deduction. The majority of affected members have repaid their contributions.

Two members of those sampled were identified as having weekly salaries in excess of the \$30,000 threshold, but have not had additional 2% deductions withheld.

Weymouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

One member pays contributions in addition to the normal retirement deductions withheld from his paycheck. These additional deductions are based on income reported on IRS form 1099 as non-employee compensation. We believe this income should not be considered regular compensation, and is therefore not subject to retirement contributions.

Recommendation: The Board must provide documentation of a vote accepting the local option to allow creditable service during layoff of police and fire department personnel.

The Board should recalculate the buybacks of members who were overcharged, and return excess payments to those members. It is also recommended that the Director conduct a careful review of buybacks that spanned time periods when contribution rates increased.

The Board should review members' files and properly document if members have fully repaid make-up contributions from errors in deductions. If a member has not fully repaid the sum due, they should be reminded of the amount due and the effect it may have on their future benefits if not repaid.

The Board must comply with G.L. c. 32, § 22(1)(b) and PERAC memo # 43/1999, which defined the additional 2% deductions. The Board should initiate a system of obtaining detailed payroll information from each unit, which includes the following member information:

1. Name
2. Social Security or employee number
3. Membership date
4. Contribution rate
5. Compensation by type: total, regular, overtime, other
6. Regular and 2% incremental deductions
7. Any other information deemed appropriate.

This data must be routinely reviewed by the Board to ensure that proper deductions are being withheld.

The Board should request documentation as to the source of income paid to a member on IRS form 1099 to determine whether it should be considered regular compensation.

Board Response:

Membership: This finding is completely erroneous. The auditors provided no evidence that laid off public safety members were permitted to buyback creditable service. Three names were provided, who were found to be formerly laid off employees who took refunds at the time of layoff, and upon re-entry into the system re-deposited funds, or bought service prior to membership. The accurate and

Weymouth Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

correct information was provided to the audit staff. The Board will not be providing documentation of any vote allowing such a buyback, as such action has never been taken.

The members overcharged for buyback refunds of the overage on August 28, 2003. PERAC has advised the Board that member who owe contributions to the System, are not eligible under the Needham Bill (so-called) and have refused to pay will have their Retirement Allowances withheld until such time as the outstanding contributions, plus interest, are paid to the System. Members were notified, there are numerous notes in their files. This is another instance of the auditor not utilizing the materials provided by the system to refute and/or answer "findings".

We receive detailed payroll information every week. Member records are reviewed at six month intervals to assure that 2% deductions are properly taken and recorded.

Contributions on 1099 Income: The Board accepts contributions on 1099 income from the Town Solicitor. In his capacity as Town Solicitor, he receives additional compensation for representing the Town on various litigation and other matters. The Board applies the legal principles as set forth in Maggioni v. Dedham Retirement Board (CR-8318) and Randall v. Winchester Retirement Board (CT-89-913).

Final Determination: *PERAC Auditors will follow up in six months to ensure that the appropriate actions have been taken regarding the audit findings.*

Weymouth Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE FIVE-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2002**

FOR THE PERIOD ENDED DECEMBER 31,				
ASSETS	2002	2001	2000	1999
Cash	\$274,447	\$455,419	\$2,050,205	\$441,297
Short Term Investments	0	0	0	0
Fixed Income Securities (at book value)	0	0	0	0
Equities	0	0	0	0
Pooled Short Term Funds	0	0	0	0
Pooled Domestic Equity Funds	0	0	0	0
Pooled International Equity Funds	0	0	0	0
Pooled Global Equity Funds	0	0	0	0
Pooled Domestic Fixed Income Funds	0	0	0	0
Pooled International Fixed Income Funds	0	0	0	0
Pooled Global Fixed Income Funds	0	0	0	0
Pooled Alternative Investment Funds	0	0	0	0
Pooled Real Estate Funds	0	0	0	0
Pooled Domestic Balanced Funds	0	0	0	0
Pooled International Balanced Funds	0	0	0	0
PRIT Cash Fund	800,931	201,029	328,474	1,828,436
PRIT Core Fund	81,257,674	91,243,428	92,090,071	92,673,928
Interest Due and Accrued	0	0	0	0
Accounts Receivable	10,200	11,402	2,755,026	2,760,132
Accounts Payable	1	4,035	11,765	2,412
TOTAL	<u>\$82,343,250</u>	<u>\$91,907,244</u>	<u>\$97,212,012</u>	<u>\$97,701,381</u>
FUND BALANCES				
Annuity Savings Fund	\$20,981,088	\$22,152,804	\$20,478,674	\$19,451,423
Annuity Reserve Fund	11,240,242	8,529,126	8,497,984	7,787,482
Pension Fund	(1,499,111)	509,125	1,703,089	2,748,243
Military Service Fund	8,159	7,250	7,122	6,969
Expense Fund	0	0	0	0
Pension Reserve Fund	51,612,873	60,708,938	66,525,143	67,707,264
TOTAL	<u>\$82,343,250</u>	<u>\$91,907,244</u>	<u>\$97,212,012</u>	<u>\$97,701,381</u>
Note: Information for 1998 not shown, but available upon written request.				

Weymouth Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE FIVE-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2002**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Ending Balance (1998)	<u>\$ 18,490,128</u>	<u>\$ 7,227,446</u>	<u>\$ 3,212,962</u>	<u>\$ 4,554</u>	<u>\$ 3,194</u>	<u>\$ 51,169,971</u>	<u>\$ 80,108,254</u>
Receipts	2,511,447	218,187	6,251,941	2,415	201,208	16,534,100	25,719,297
Interfund Transfers	(1,219,933)	1,219,934	0	0	(3,194)	3,193	0
Disbursements	<u>330,219</u>	<u>878,085</u>	<u>6,716,659</u>	<u>0</u>	<u>201,208</u>	<u>0</u>	8,126,171
Ending Balance (1999)	<u>\$ 19,451,423</u>	<u>\$ 7,787,482</u>	<u>\$ 2,748,243</u>	<u>\$ 6,969</u>	<u>\$ -</u>	<u>\$ 67,707,264</u>	<u>\$ 97,701,381</u>
Receipts	2,784,903	241,791	6,285,960	153	572,007	(1,182,121)	8,702,693
Interfund Transfers	(1,455,675)	1,455,675	0	0	0	0	0
Disbursements	<u>301,976</u>	<u>986,965</u>	<u>7,331,114</u>	<u>0</u>	<u>572,007</u>	<u>0</u>	9,192,062
Ending Balance (2000)	<u>\$ 20,478,674</u>	<u>\$ 8,497,984</u>	<u>\$ 1,703,089</u>	<u>\$ 7,122</u>	<u>\$ -</u>	<u>\$ 66,525,143</u>	<u>\$ 97,212,012</u>
Receipts	2,766,399	254,648	6,576,406	135	567,863	(5,819,777)	4,345,674
Interfund Transfers	(822,537)	820,548	(1,576)	(7)	0	3,572	0
Disbursements	<u>269,731</u>	<u>1,044,054</u>	<u>7,768,794</u>	<u>0</u>	<u>567,863</u>	<u>0</u>	9,650,442
Ending Balance (2001)	<u>\$ 22,152,804</u>	<u>\$ 8,529,126</u>	<u>\$ 509,125</u>	<u>\$ 7,250</u>	<u>\$ -</u>	<u>\$ 60,708,939</u>	<u>\$ 91,907,244</u>
Receipts	2,858,640	308,840	6,516,030	909	566,633	(9,098,560)	1,152,493
Interfund Transfers	(3,622,315)	3,619,821				2,494	(0)
Disbursements	<u>408,041</u>	<u>1,217,545</u>	<u>8,524,267</u>	<u>0</u>	<u>566,633</u>	<u>0</u>	10,716,486
Ending Balance (2002)	<u>\$ 20,981,088</u>	<u>\$ 11,240,242</u>	<u>\$ (1,499,111)</u>	<u>\$ 8,159</u>	<u>\$ -</u>	<u>\$ 51,612,873</u>	<u>\$ 82,343,250</u>

Note: Information for 1998 not shown, but available upon written request.

Weymouth Retirement System

STATEMENT OF INCOME

**FOR THE FIVE-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2002**

FOR THE PERIOD ENDED DECEMBER 31,				
	2002	2001	2000	1999
Annuity Savings Fund:				
Members Deductions	\$2,380,752	\$2,237,915	\$2,073,820	\$1,835,736
Transfers from other Systems	146,123	138,744	232,632	156,133
Member Make Up Payments and Redeposits	74,635	10,299	85,318	128,506
Investment Income Credited to Member Accounts	<u>257,130</u>	<u>379,441</u>	<u>393,132</u>	<u>391,072</u>
Sub Total	<u>2,858,640</u>	<u>2,766,399</u>	<u>2,784,903</u>	<u>2,511,447</u>
Annuity Reserve Fund:				
Investment Income Credited Annuity Reserve Fund	<u>308,840</u>	<u>254,648</u>	<u>241,791</u>	<u>218,187</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	115,531	109,882	90,260	78,470
Received from Commonwealth for COLA and Survivor Benefits	610,143	663,121	578,751	746,801
Pension Fund Appropriation	<u>5,790,356</u>	<u>5,803,404</u>	<u>5,616,948</u>	<u>5,426,670</u>
Sub Total	<u>6,516,030</u>	<u>6,576,406</u>	<u>6,285,960</u>	<u>6,251,941</u>
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	804	0	0	2,265
Investment Income Credited Military Service Fund	<u>104</u>	<u>135</u>	<u>153</u>	<u>150</u>
Sub Total	<u>909</u>	<u>135</u>	<u>153</u>	<u>2,415</u>
Expense Fund:				
Expense Fund Appropriation	0	0	0	0
Investment Income Credited to Expense Fund	<u>566,633</u>	<u>567,863</u>	<u>572,007</u>	<u>201,208</u>
Sub Total	<u>566,633</u>	<u>567,863</u>	<u>572,007</u>	<u>201,208</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	0	11,402	16,355	23,135
Pension Reserve Appropriation	0	0	0	0
Interest Not Refunded	4,761	5,237	1,719	9,808
Miscellaneous Income	1,118	0	0	0
Excess Investment Income	<u>(9,104,438)</u>	<u>(5,836,415)</u>	<u>(1,200,195)</u>	<u>16,501,157</u>
Sub Total	<u>(9,098,560)</u>	<u>(5,819,777)</u>	<u>(1,182,121)</u>	<u>16,534,100</u>
TOTAL RECEIPTS	<u>\$1,152,493</u>	<u>\$4,345,674</u>	<u>\$8,702,693</u>	<u>\$25,719,297</u>
Note: Information for 1998 not shown, but available upon written request.				

Weymouth Retirement System
STATEMENT OF DISBURSEMENTS

**FOR THE FIVE-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2002**

FOR THE PERIOD ENDED DECEMBER 31,				
Annuity Savings Fund:	2002	2001	2000	1999
Refunds to Members	\$194,462	\$171,408	\$68,481	\$210,021
Transfers to other Systems	<u>213,579</u>	<u>98,323</u>	<u>233,495</u>	<u>120,197</u>
Sub Total	<u>408,041</u>	<u>269,731</u>	<u>301,976</u>	<u>330,219</u>
Annuity Reserve Fund:				
Annuities Paid	1,172,480	1,044,054	942,394	867,274
Option B Refunds	<u>45,064</u>	<u>0</u>	<u>44,570</u>	<u>10,810</u>
Sub Total	<u>1,217,545</u>	<u>1,044,054</u>	<u>986,965</u>	<u>878,085</u>
Pension Fund:				
Pensions Paid				
Regular Pension Payments	5,457,943	4,820,699	4,530,288	4,068,343
Survivorship Payments	421,441	364,745	421,542	397,819
Ordinary Disability Payments	103,094	115,017	125,811	128,402
Accidental Disability Payments	1,737,855	1,680,205	1,581,785	1,479,543
Accidental Death Payments	571,733	560,466	564,542	535,811
Section 101 Benefits	120,535	116,149	0	0
3 (8) (c) Reimbursements to Other Systems	111,664	111,512	107,146	106,743
State Reimbursable COLA's Paid	0	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>8,524,267</u>	<u>7,768,794</u>	<u>7,331,114</u>	<u>6,716,659</u>
Military Service Fund:				
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:				
Board Member Stipend	15,000	17,000	14,583	0
Salaries	109,978	121,962	118,505	110,413
Legal Expenses	30,128	29,679	33,410	29,363
Medical Expenses	272	0	72	0
Travel Expenses	2,379	2,702	3,192	2,331
Administrative Expenses	47,811	28,051	47,987	24,206
Furniture and Equipment	3,613	7,926	2,507	34,896
Management Fees	357,451	360,543	351,751	0
Custodial Fees	0	0	0	0
Consultant Fees	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>566,633</u>	<u>567,863</u>	<u>572,007</u>	<u>201,208</u>
TOTAL DISBURSEMENTS	<u>\$10,716,486</u>	<u>\$9,650,442</u>	<u>\$9,192,062</u>	<u>\$8,126,171</u>
Note: Information for 1998 not shown, but available upon written request.				

Weymouth Retirement System

INVESTMENT INCOME

**FOR THE FIVE-YEAR PERIOD BEGINNING JANUARY 1, 1998
AND ENDING DECEMBER 31, 2002**

	FOR THE PERIOD ENDED DECEMBER 31,			
	2002	2001	2000	1999
Investment Income Received From:				
Cash	\$6,672	\$15,817	\$13,957	\$17,311,774
Short Term Investments	0	0	0	0
Fixed Income	0	0	0	0
Equities	0	0	0	0
Pooled or Mutual Funds	<u>2,848,327</u>	<u>2,970,793</u>	<u>4,094,117</u>	<u>0</u>
Commission Recapture	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL INVESTMENT INCOME	<u>2,854,999</u>	<u>2,986,610</u>	<u>4,108,075</u>	<u>17,311,774</u>
Plus:				
Increase in Amortization of Fixed Income Securities	0	0	0	0
Realized Gains	126,632	619,387	7,766,878	0
Unrealized Gains	9,272,179	11,835,653	10,718,304	0
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>9,398,812</u>	<u>12,455,040</u>	<u>18,485,181</u>	<u>0</u>
Less:				
Decrease in Amortization of Fixed Income Securities	0	0	0	0
Paid Accrued Interest on Fixed Income Securities	0	0	0	0
Realized Loss	2,755,368	1,129,445	0	0
Unrealized Loss	17,470,172	18,946,534	22,586,367	0
Custodial Fees Paid	0	0	0	0
Consultant Fees Paid	0	0	0	0
Management Fees Paid	0	0	0	0
Board Member Stipend	0	0	0	0
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>20,225,540</u>	<u>20,075,978</u>	<u>22,586,367</u>	<u>0</u>
NET INVESTMENT INCOME	<u>(7,971,729)</u>	<u>(4,634,328)</u>	<u>6,889</u>	<u>17,311,774</u>
Income Required:				
Annuity Savings Fund	257,130	379,441	393,132	391,072
Annuity Reserve Fund	308,840	254,648	241,791	218,187
Military Service Fund	104	135	153	150
Expense Fund	<u>566,633</u>	<u>567,863</u>	<u>572,007</u>	<u>201,208</u>
TOTAL INCOME REQUIRED	<u>1,132,708</u>	<u>1,202,087</u>	<u>1,207,084</u>	<u>810,617</u>
Net Investment Income	<u>(7,971,729)</u>	<u>(4,634,328)</u>	<u>6,889</u>	<u>17,311,774</u>
Less: Total Income Required	<u>1,132,708</u>	<u>1,202,087</u>	<u>1,207,084</u>	<u>810,617</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>(\$9,104,438)</u>	<u>(\$5,836,415)</u>	<u>(\$1,200,195)</u>	<u>\$16,501,157</u>

Note: Information for 1998 not shown, but available upon written request.

Weymouth Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash		\$274,447	0.33%	100
Short Term			0.00%	
Fixed Income			0.00%	
Equities			0.00%	
Pooled Short Term Funds			0.00%	
Pooled Domestic Equity Funds			0.00%	
Pooled International Equity Funds			0.00%	
Pooled Global Equity Funds			0.00%	
Pooled Domestic Fixed Income Funds			0.00%	
Pooled International Fixed Income Funds			0.00%	
Pooled Global Fixed Income Funds			0.00%	
Pooled Alternative Investment Funds			0.00%	
Pooled Real Estate Funds			0.00%	
Pooled Domestic Balanced Funds			0.00%	
Pooled International Balanced Funds			0.00%	
PRIT Cash Fund		800,931	0.97%	100
PRIT Core Fund		<u>81,257,674</u>	<u>98.69%</u>	100
GRAND TOTALS	<u>\$0</u>	<u>\$82,333,052</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2002**, the rate of return for the investments of the **Weymouth** Retirement System was -8.80%. For the five-year period ending December 31, **2002**, the rate of return for the investments of the **Weymouth** Retirement System averaged 4.39%. For the eighteen-year period ending December 31, **2002**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Weymouth** Retirement System was 10.94%.

Weymouth Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Weymouth** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Weymouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Weymouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Weymouth** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

October 3, 1984

1. Persons employed as full-time permanent must join the retirement system as of their date of employment (under age 65)
2. Persons employed as full-time temporary may join the retirement system as of their date of employment and must join after six months of employment even though still "temporary".

Weymouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

October 3, 1984 (continued)

3. Persons employed as part-time permanent must join if they work 20 or more hours a week.
4. Persons employed as art-time permanent cannot join if they work less than 20 hours per week.
5. Persons employed as part-time temporary cannot join. Part-time if go below 20 hours a week can continue for 6 months. After 6 months go inactive. Interest for 2 years. Can withdraw any time after going under 20 hours a week. Cannot buy back time if under 20 hours a week. (**Amended March 8, 1985.**)

If back to 20 (or more) within 6 months – as if they never left.

Full year credit for part time.

March 8, 1985

Persons employed as part-time temporary cannot join. Part-time if they go below twenty (20) hours a week, can continue for six (6) months. After six (6) months go inactive. Interest for two years. Can withdraw anytime after going under twenty (20) hours a week. Cannot buy back time if under twenty (20) hours a week. If back to twenty (20) (or more) within six (6) months, as if they never left.

Part time employees, if always part-time, receive full year's credit.

December 31, 1986

Anyone employed by the Town of Weymouth on or after 1/1/87 as a part-time, provisional, parttime temporary, temporary provisional, seasonal or intermittent employee, shall not be eligible to join the retirement system.

September 19, 1995

1. General Provisions Governing Creditable Service for any Period of Part-time, Provisional, Temporary, Temporary Provisional, Seasonal or Intermittent Employment or Service Prior to any Individual's Eligibility for Membership in the Weymouth Contributory Retirement System (the "System"). Except as expressly provided by these regulations, no individual in the employment or service of the town of Weymouth (the "Town") shall be eligible to be credited for creditable service for any period of part-time, provisional, temporary, temporary provisional, seasonal or intermittent (hereinafter, collectively, "Part-time") employment or service prior to said individual's eligibility to become a member of the System (or the reinstatement of such eligibility).

2. Eligibility. Except pursuant to these regulations, promulgated by the Weymouth Retirement Board (the "Board") under General Laws Chapter 32, Section 4 (2)(c), no member of the System shall be eligible to be credited for creditable service for any period of Part-time employment or service in the System prior to said member's eligible to be credited for creditable service for any period of Part-time employment or

Weymouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

September 19, 1995 (continued)

service in the System prior to said member's eligibility to become a member of the System (or the reinstatement of such eligibility).

For the purposes of these regulations, a Part-time employee of the Town who is eligible for credit for creditable service for any period of Part-time employment or service in the System prior to said employee's eligibility to become a member of the System (or the reinstatement of such eligibility), shall be deemed an "Eligible Part-Time Employee" pursuant to this Section 2.

3. Credit for Creditable Service for an Eligible Part-Time Employee. In addition to credit for creditable service for all employment or service rendered by an Eligible Part-Time Employee after said Eligible Part-Time Employee becomes a member of the System, and subject to any applicable limitations arising from, without implied limitation, any or all of the following provisions of General Laws Chapter 32: (i) Section 3(2)(a)(iv) (regarding, among other things, a mandatory six-month waiting period for Eligible Part-Time employees who are classified in Group 1); (ii) Section 3(2)(d) (regarding, among other things, the Board's possession and exercise of full jurisdiction to determine Eligible Part-Time Employee eligibility for membership in the System, including, without implied limitation, Eligible Part-Time Employees whose annual compensation is fixed at an amount of two hundred dollars or less); and (iii) Section 4 (2)(c) (regarding, among other things, the Board's power to allow credit for creditable service to any member of the System for any period of Part-Time employment or service in the System prior to said member's eligibility to become a member of the System (or the reinstatement of such eligibility) and the "annuity savings fund make-up payments" as hereinafter defined); An Eligible Part-Time Employee also shall be credited for creditable service for, and only for, the number of whole or partial weeks of Part-Time employment or service in the System, prior to said member's eligibility to become a member of the System (or the reinstatement of such eligibility), calculated by multiplying the fraction, the denominator of which fraction is equal to forty (40), and the numerator of which fraction is equal to the average number of hours of Part-Time employment or service in the System rendered by an Eligible Part-Time Employee prior to such Eligible Part-Time Employee's eligibility to become a member of the System (or the reinstatement of such eligibility), said average itself to be calculated only by including in the calculation thereof only the number of weeks in which such Eligible Part-Time Employee actually was employed or served in the System; provided, however, that after said Eligible Part-Time Employee becomes a member of the System (or is reinstated as such), and before the date any retirement allowance becomes effective for said Eligible Part-Time Employee, said Eligible Part-Time employee complies with the annuity savings fund make-up payments and regular interest make-up payments prescribed by said Section 4(2)(c) (hereinafter, collectively, "annuity savings fund make-up payments"); and provided, further, that in the event any retirement allowance becomes effective for said Eligible Part-Time Employee before the completion of said annuity savings fund make-up payments, the provisions of the last sentence of said Section 4(2) (c) (regarding a reduction in the credit for creditable service for any period of Part-Time employment or service in the System prior to said Eligible Part-Time Employee's eligibility to become a member of the System) shall apply. For example, an Eligible Part-Time Employee (assuming, for demonstrative purposes only, that said Employee is a Group 2 Eligible Part-Time Employee whose annual compensation is in

Weymouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

September 19, 1995 (continued)

excess of two hundred dollars a year and to whom, without implied limitation, other limitations of General Laws Chapter 32, Sections 3(2)(a)(iv), 3(2)(d) and 4(2)(c) do not apply), who, for a 104-week period during a 150-week period (i.e., the Eligible Part-Time Employee was employed and served in the System during 104 weeks of a 150-week period), averages twenty (20) hours a week of employment and service during said 104-week period (e.g., 2,080 hours. $104 \text{ weeks} = 20 \text{ hours/week}$) would be entitled to credit for creditable service for fifty-two weeks: (i.e., $20/[40] \times 104 = 52$).

4. Relationship to Massachusetts General Laws Chapter 32. An Eligible Part-Time Employee who, in accordance with these regulations, receives credit for creditable service for employment or service rendered prior to said member's eligibility to become a member of the System (or the reinstatement of such eligibility), shall be subject to any and all provisions of General Laws Chapter 32.

5. Administration. The credit for creditable service for employment or service for any period of Part-Time employment or service in the System by an Eligible Part-Time Employee who, in accordance with these regulations, receives credit for creditable service for employment or service for any period of Part-time service or employment in the System prior to said member's eligibility to become a member of the System (or the reinstatement of such eligibility), shall be administered by the Board, which Board shall also have the authority to promulgate further regulations to implement the provisions of these regulations.

Weymouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Barbara Costa

Appointed Member: Gregory Hargadon Term Expires: 6/30/05

Elected Member: Joseph Davis Term Expires: 6/30/04

Elected Member: Frank Lagrotteria Term Expires: 1/1/06

Appointed Member: Edward Masterson Term Expires: 1/1/06

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	\$30,000,000 Fiduciary Liability
Ex officio Member:)	Travelers (\$10M Primary)
Elected Members:)	Federal Insurance Co. (Chubb Group) (\$10M Excess of Primary)
Appointed Members:)	Executive Risk Indemnity, Inc. (\$10M Excess of \$20M)
Staff:)	\$1,000,000 Commercial Crime – Employee Dishonesty

Weymouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **Stone Consulting, Inc.** as of **1/1/2001**.

The actuarial liability for active members was	\$67,494,871
The actuarial liability for inactive and retired members was	<u>72,006,055</u>
The total actuarial liability was	139,500,926
System assets as of that date were	<u>97,212,012</u>
The unfunded actuarial liability was	<u>\$42,288,914</u>
The ratio of system's assets to total actuarial liability was	69.7%
As of that date the total covered employee payroll was	\$26,698,431

The normal cost for employees on that date was 7.90% of payroll

The normal cost for the employer was 7.60% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.25% per annum

Rate of Salary Increase: 5.50% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2001

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2001	\$ 97,212,000	\$ 139,501,000	\$ 42,289,000	69.7%	\$ 26,698,000	158.40%
1/1/1999	\$ 80,108,000	\$ 124,860,000	\$ 44,752,000	64.2%	\$ 23,470,000	190.68%
1/1/1997	\$ 58,726,000	\$ 106,219,000	\$ 47,493,000	55.3%	\$ 19,645,000	241.76%
1/1/1994	\$ 39,915,000	\$ 79,727,000	\$ 39,812,000	50.1%	\$ 15,810,000	251.82%
1/1/1992	\$ 32,275,000	\$ 72,892,000	\$ 40,617,000	44.3%	\$ 16,248,000	249.98%

Weymouth Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2002

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Superannuation	20	16	18	18	21	17	23	24	22	63
Ordinary Disability	1	1	0	0	0	0	0	0	0	0
Accidental Disability	1	4	2	5	7	4	3	2	1	3
Total Retirements	22	21	20	23	28	21	26	26	23	66
Total Retirees, Beneficiaries and Survivors	604	606	598	592	593	596	609	613	619	699
Total Active Members	579	606	662	692	724	769	811	843	877	856
Pension Payments										
Superannuation	\$3,331,705	\$3,414,289	\$3,526,186	\$3,463,349	\$3,752,556	\$3,873,033	\$4,068,343	\$4,530,288	\$4,820,699	\$5,457,943
Survivor/Beneficiary Payments	286,789	323,484	328,824	367,136	389,001	371,296	397,819	421,542	364,745	421,441
Ordinary Disability	130,479	155,732	166,272	165,008	145,979	132,527	128,402	125,811	115,017	103,094
Accidental Disability	1,249,271	1,269,009	1,367,825	1,350,307	1,441,863	1,447,501	1,479,543	1,581,785	1,680,205	1,737,855
Other	<u>408,440</u>	<u>515,225</u>	<u>485,713</u>	<u>557,895</u>	<u>567,960</u>	<u>671,740</u>	<u>642,553</u>	<u>671,688</u>	<u>788,128</u>	<u>803,932</u>
Total Payments for Year	<u>\$5,406,684</u>	<u>\$5,677,739</u>	<u>\$5,874,820</u>	<u>\$5,903,695</u>	<u>\$6,297,359</u>	<u>\$6,496,096</u>	<u>\$6,716,659</u>	<u>\$7,331,114</u>	<u>\$7,768,794</u>	<u>\$8,524,267</u>

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